

Message Text

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ORIGIN NEA-10

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T: MR. LEWIS

DOD/DSAA - MR. HOENIG (INFO)

S/S:CABORG

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FM SECSTATE WASHDC

TO AMEMBASSY KUWAIT IMMEDIATE

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E.O. 11652: N/A (DECONTROL UPON RECEIPT)

TAGS: MASS, KU, US

SUBJECT: LETTER TO MINISTER OF DEFENSE

REF: KUWAIT 4392

1. FOLLOWING IS TEXT OF LETTER SIGNED AUGUST 22 BY LTG.
FISH ADDRESSED TO H.E. SHAIKH SAAD AL ABDALLAH AL SABAH,
MINISTER OF INTERIOR AND DEFENSE, KUWAIT.

2. BEGIN TEXT: YOUR EXCELLENCY: YOU MAY RECALL THAT
PRIOR TO YOUR ACCEPTING THE LETTER OF OFFER FOR THE IM-
PROVED HAWK SYSTEM, AMBASSADOR STOLTZFUS FORWARDED A
LETTER WHICH ADDRESSED THE MATTER OF AGENT'S FEES.
AMBASSADOR STOLTZFUS' LETTER READ IN PART: "THE US GOVERN-
MENT UNDERSTANDS AND ACKNOWLEDGES THAT ACCEPTANCE SIGNATURE
BY THE GOVERNMENT OF KUWAIT ON LETTERS OF OFFER AND
EXECUTION OF APPROPRIATE CONTRACTS BY THE US GOVERNMENT
TO IMPLEMENT SAID LETTER OF OFFER IS CONTINGENT UPON THE
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US GOVERNMENT INSERTING IN THE APPROPRIATE CONTRACTS THE

FOLLOWING: ... NOTWITHSTANDING ANY OTHER PROVISION OF THIS CONTRACT, ANY DIRECT OR INDIRECT COST OF AGENT'S FEES/ COMMISSION FOR CONTRACTOR SALES AGENTS INVOLVED IN FOREIGN MILITARY SALES TO THE GOVERNMENT OF KUWAIT SHALL BE CONSIDERED AS AN UNALLOWABLE ITEM OF COST UNDER THIS CONTRACT."

3. THIS LETTER PROVIDED ASSURANCE TO THE GOVERNMENT OF KUWAIT THAT THE UNITED STATES GOVERNMENT WOULD NOT ENTER INTO ANY CONTRACTS WHICH REQUIRED THE PAYMENT OF AGENT'S FEES, COMMISSIONS OR CONSIDERATION OF ANY KIND FROM ANY SOURCE TO ANY THIRD PARTY TO BE ALLOWED IN CONNECTION WITH THE I-HAWK GOVERNMENT-TO-GOVERNMENT CONTRACT.

4. DURING OUR COMMUNICATION WITH THE RAYTHEON COMPANY TO CONSUMMATE FINAL NEGOTIATED CONTRACTS TO IMPLEMENT THE I-HAWK PROGRAM, WE HAVE DETERMINED THAT APPROXIMATELY DOLS 1.0 MILLION HAS BEEN REQUESTED BY THE COMPANY AS AN ITEM OF COST TO COVER THE SERVICES OF ITS KUWAITI AGENT. THE AGENT INVOLVED HAS BEEN IDENTIFIED BY RAYTHEON AS FIFAFI ENTERPRISES. RAYTHEON ADVISES THAT THEIR AGENCY AGREEMENT CALLS FOR THE AGENT TO RECEIVE ONE PERCENT OF THE COMPANY'S PARTICIPATION IN THESE CONTRACTS.

5. WE HAVE PROVIDED ASSURANCE TO YOU THAT NO AGENT FEE WILL BE INCLUDED IN THE I-HAWK CONTRACTS. THE COMPANY MAINTAINS THAT THEY HAVE A BONA FIDE AGENT AGREEMENT EXECUTED YEARS BEFORE THE FOREIGN MILITARY SALES CONTRACT WAS CONSUMMATED AND THEREFORE THEIR AGENT IS ENTITLED TO THE AGREED FEE. CONTRACT NEGOTIATIONS THUS ARE AT AN IMPASSE.

6. SINCE THE UNITED STATES GOVERNMENT CANNOT PROCEED WITH OUR NEGOTIATIONS FOR THE I-HAWK ON YOUR BEHALF WITH RAYTHEON, WE ARE OBLIGED TO REFER THE MATTER TO YOU. PLEASE ADVISE AT YOUR EARLIEST CONVENIENCE WHETHER OR NOT THE GOVERNMENT OF KUWAIT AGREES TO PAY THE AGENT FEE AS REQUESTED BY RAYTHEON. SINCERELY, END TEXT. KISSINGER

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